Agriculture and Agri-Food Canada Agriculture et Agroalimentaire Canada

Canada

Vietnam
Agri-Food Country Profile

Statistical Update

July 2001

Forward

This information piece is provided to update the statistical information of existing documents on Vietnam, in particular the Vietnam Country Profile produced in 1998. The profile is believed to continue to contain information useful to Canadian exporters, but due to the recent economic developments an update of certain information was believed necessary.

Background

Vietnam is a country undergoing a significant transition towards a modern market economy. Recently referred to as the "Next Asian Tiger" by the Asian Development Bank, Vietnam is a challenging market but one of great promise.

Demographics	
Total Population	80 million
Growth Rate	1.65%
Age Breakdown	
0-14 years	33%
15-64 years	62%
65 years and over	5%
Life Expectancy	
Total	69.7 years
Male	66.84 years
Female	71.87 years

Geography

Located in Southeastern Asia, Vietnam borders the Gulf of Thailand, the Gulf of Tonkin, and the South China Sea. Vietnam also borders China, Laos, and Cambodia. Vietnam has a total land area of 329 560 sq km. The capital city is Hanoi with a population of 3.5 million. The largest city is Ho Chi Minh City with a population of 5 million.

The climate in Vietnam is tropical in the South, and monsoonal in the north with a hot, rainy season (mid-May to September) and a warm, dry season (mid-October to mid-March). The terrain is low forming flat deltas in the south and north. There are central highlands and also mountainous regions in the far north and northwest.

Natural resources include phosphates, coal, manganese, bauxite, chromate, offshore oil and gas deposits and forests.

Main Cities	
Ho Chi Minh City	5 million
Hanoi (capital)	3.5 million
Dong Nai	2 million
Hai Phong	1.6 million
Dac Lac	1.2 million

Agriculture

Agriculture is a major player in the Vietnamese economy with 80% of the population employed in the sector and a large percentage of the population is still reliant on subsistence farming. Agriculture constitutes only 26% of Vietnam's GDP and therefore labour statistics do not accurately reflect the export sector of the industry.

Vietnam's exports are also dominated by agricultural products accounting for 48% of the export market. Rice is the main agricultural crop constituting 12% of total agri-food exports, and serving as the staple for the populations diet. Vietnam is the worlds second largest rice exporter accounting for 20% of the world market. Other staple crops include maize, sweet potato, and vegetables. While rice and other cereals remain the most important component of agricultural production, there has been some diversification to industrial crops in recent years.

Since 1999 the gross value share of industrial crops like jute, cotton, sugar cane, peanuts, cashews, and tobacco has risen 16.9%. The gross value share of commodities like pepper, tea, coffee and rubber have increased by 48% since 1999. In 2001, Vietnam is expected to become the world's second largest coffee producer after Brazil. Recent declines in coffee prices have undercut the expected profitability of this growing export product. However, Vietnam remains confident that the industry will continue to grow.

Further progress in agricultural diversification is planned. The government has begun to familiarize farmers with modern production and marketing techniques. An increase in agricultural production leaves some areas inaccessible to Canadian exporters, such as grains and bulk cereals. However, there remain many areas in which Canadian exports to Vietnam are strong such as animal and vegetables oils.

For more information on Agriculture Retail Value-Added Food and Beverage Retail Study for Vietnam

Economy

The Vietnamese government, out of concern over the recent Asian financial crisis, has begun moving the Vietnamese economy towards a modern market economy.

The fear of slower growth and investment has pushed the government into extensive legal and

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Trade Agreements

Vietnam is a member of the Association of South East Asian Nations (ASEAN) as well as the Asian Pacific Economic Cooperation forum (APEC). These two groups continue to be Vietnam's most important international relationships. Working towards common tariff schemes, free trade, and developing foreign investment.

Vietnamese officials have recently completed negotiations with India concerning trade regulations and tariffs. The Vietnamese met with Pakistan in early 2001 and signed an agreement to increase traditionally weak trade relations. In addition Vietnam is currently working to finalize a trade agreement with the United States.

International organization participation includes: United Nations (UN), Food and Agriculture Organization (FAO), International Bank for Reconstruction and Development (IBRD), International Civil Aviation Organization (ICAO), International Monetary Fund (IMF), UN Development Program (UNDP), UN Educational, Scientific, and Cultural Organization (UNESCO), World Health Organization (WHO), International Maritime Organization (IMO), World Intellectual Property Organization (WIPO), Asian Development Bank (ADB), Colombo Plan, Economic and Social Commission for Asia and the Pacific, INTELSAT, Mekong Committee, Nonaligned Movement, Pacific Economic Cooperation Council, the Asia-Pacific Economic Cooperation (APEC) forum, Association of Southeast Asian Nations (ASEAN), and observer status in the WTO.

Competition

Vietnam's exports totaled US$13.5 billion in 2000. Vietnam's largest export market is Japan with 15.5% of total Vietnamese exports. Other key players in Vietnam's export market are China 7.5%, Singapore 7.1%, Australia 7.1%, and Taiwan 5.9%. Vietnam's exports are expected to increase by 12-13% by the end of 2001.

The European Union (EU) is an important destination for Vietnamese exports and is expected to continue to grow as a key export market due to regional economic difficulties. Vietnam has traditionally turned to more stable markets specifically the EU, during times of instability.

Vietnam's imports totaled US$13.8 billion in 2000. Vietnam's import market is dominated by refined petroleum products and machinery. Singapore is Vietnam's largest source of imports accounting for 16.2% of total imports. Other key players in Vietnam's import market are Japan 12.9%, Taiwan 12.7%, South Korea 12.4%, and Sweden 6.8%. Vietnam's key agri-food imports are vegetables, pulses, and grain and pasta preparations. Countries in the European Union are in direct market competition with Canada for these key Vietnamese agricultural imports. Vietnam's imports are expected to increase 16-17% by the end of 2001.

Canada - Vietnam Trade and Investment

Two way trade between Canada and Vietnam is modest. In 2000, Canadian exports to Vietnam were $50.6

administrative reform. Because of these efforts Vietnam's economy appears to be moving towards a more stable foundation.

Vietnam's GDP is forecast to grow by 6% in 2001. The Vietnamese government reported first quarter GDP growth of 7.2%. The driving force behind this early growth was the industry and construction sectors which expanded by 9.9%.

Economic Indicators	
GDP	US$29.8 billion
GPD Growth	5% (2000) 6% (2001e)
GDP per capita	US$395
GPD by Sector	
Agriculture	26%
Industry	33%
Services	41%

Vietnamese economic activity may be restrained throughout the remainder of 2001as a result of the deteriorating world economy and resulting effects on foreign investment and exports. An economic slowdown regionally which may include Japan could effect Vietnam's export performance. However, Vietnam is expected to weather the slowdown well with continuing export growth and diversification.

The agricultural sector is expected to maintain a steady growth rate of 4% throughout 2001-2002. This sectoral growth is the result of a record production year in both rice and coffee. In 2001 exports are expected to rise by 3.9%, in comparison to a growth of 25.2% in 2000. This reduction in percentage growth is the predicted result of a government facilitated suspension of rice exports due to domestic shortages caused by droughts and floods in late 2000 and early 2001.

Labour Force	
Total	38.5 million
Unemployment Rate	6.7% (urban)
By Sector	
Agriculture	69%
Industry	12%
Services	19%

Reforms in areas relating to the financial sector, including state owned enterprises and the trade regime have been boosted by recent trade agreements with the World Bank and the International Monetary Fund (IMF). The reforms remain limited by the government structure, however they include a plan to privatize 2,300 state-owned-enterprises beginning in 2001. Vietnam has also opened the country's first stock exchange which continues to develop.

Internationally Vietnam is working with fellow ASEAN nations, Japan, China, and South Korea on a monetary cooperation agreement. Negotiations have resulted in the creation of the Chiang Mai Initiative (CMI), which is being developed to give liquidity support in the event of balance of payment difficulties.

Despite ongoing regional economic difficulties stemming from the Asian financial crisis and continuing heavy debt burdens, the Vietnamese economy has been favorably forecast. The GDP is expected to continue to rise in 2002 with growth predicted at 6.3%. Export revenue is also predicted to grow by 17.6% in 2002, as Vietnam takes advantage of new trading opportunities and access to the US market.

For more information on the economy Vietnam: Economic Trends

million, a slight increase over 1999. Since 1996 Canada's export to Vietnam have remained fairly stable.

Canada's imports from Vietnam in 2000 were $211 million, a $17 million increase over 1999. Canada's imports from Vietnam have increased by a minimum of $15 million every year since 1995. Canada maintains a large trade deficit with Vietnam of $160 million.

Major Canadian exports to Vietnam in 2000 were fertilizers $21.6 million, photo optics $3.8 million , man-made staple fibres $3.1 million, wood pulp $2.8 million, and animal and vegetable fats and oils $2.7 million. Major Vietnamese exports to Canada in 2000 were footwear $53 million, clothing $34.8 million, coffee, tea, and spices $30.3 million, fish and crustaceans $30.3 million, and articles of leather $11.5 million.

Canada's trade deficit with Vietnam is also represented in agri-food trade. While Canadian agricultural exports increased by 43% in 2000 exports are still well below totals for 1997 and 1998.

In 1997 and 1998 Canada sent two large shipments of wheat to Vietnam, this was the only time Canada has done so and the shipments distorted recent export performance. In fact, exports have been increasing steadily since 1996, increasing from $1.3 million to $4.1 million in 2000. Trade statistics through May 2001 show that our agri-food exports to Vietnam are continuing to grow. As of May 2001, Canada's agri-food exports to Vietnam were valued at $3.5 million well above annual totals since 1996.

Canada's largest agri-food export to Vietnam in 2000 was vegetable oils representing over 60% of total agri-food exports. The top five Canadian agri-food exports to Vietnam in 2000 were crude animal and vegetable oils 48.3%, refined animal and vegetable oils 13.4%, whey powder 10.6%, bristles, hair and waste of pigs to make bristles 8.9%, and tobacco 6.6%. The top five Canadian agricultural exports to Vietnam represented 87.5% of total agri-food exports.

Vietnam's largest agri-food export to Canada in 2000 was coffee representing 61% of total agri-food exports. In 2000 the top five Vietnamese agri-food exports to Canada were coffee-caffeinated 57.3 %, cashew nuts 13.9%, coffee-decaffeinated 3.7%, natural rubber 2.1%, and live animals 1.9%. The top five Vietnamese agricultural exports to Canada represented 78.9% of total agri-food imports.

Canada and Vietnam have normalized their economic relationship through the negotiation of a series of agreements: an Economic Cooperation Agreement (1994), a Development Cooperation Agreement (1994), a Trade Agreement (1995), and a Double Taxation Agreement (1997). Vietnam is also a Canadian International Development Agency (CIDA) CORE country.

Vietnam represents an opportunity for Canadian industrialists who want to establish a lasting presence in this region of the world. Although the Vietnamese market is difficult to penetrate, it is possible to gain entry through study and a thorough gathering of information at each stage of the project. Investors must be able to adapt to the changing environment and be prepared to give a considerable amount of time as Vietnam remains centralized.

Investment

Vietnam is experiencing a decline in foreign investment. Vietnamese officials attribute the decline of investor interest in Vietnam to the lingering effects of the 1997-1999 regional economic crisis, weaknesses in the investment environment, high labour costs, a shortage of skilled workers, and a small domestic market.

Foreign direct investment (FDI) dropped to US$1.55 billion in 1999, a 60% decease from 1998. This slump continued well into 2000 with estimates of the FDI not surpassing US$600 million. On the positive side however, the rate of disbursement of committed FDI improved throughout 2000, with US$1.52 billion disbursed.

Vietnamese analysts indicate that the private sector is beginning to grow robustly. During the first half of 2000 for example, more than five thousand enterprises registered with an average listed capital of US$57,000. This has shown many analysts that there are opportunities for investment, joint ventures and partnerships. Partnerships with Vietnamese national companies are encouraged by the government.

Market Access

Vietnam has always been a difficult market to penetrate, though recent market-oriented reforms are shifting Vietnam towards a more open trading system.

Formal rules in many areas of trading have not been defined, while in others, the measures and their practical interpretation are frequently changing. Companies are directed to complete current research on the issues specific to their business operation.

Foreign companies which have a proven track record on the export market and are adaptable to strained market conditions can succeed. Exporters are directed to make use of multilateral aid funds, such as the World Bank, as they facilitate the resolution of investment and legal complications.

In Vietnam it often takes up to three years to start a business project. Close contact with official agencies is recommended as Vietnamese companies are answerable to the government. Vietnam remains bureaucratic and centralized, conflicts may arise at several levels of power and can often be expensive to the investor. Thorough exploratory research, planning and documentation will help to avoid complications.

For more information on Market Access Vietnam: A Business Guide for Canadian Companies

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